

Message Text

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TAGS: BEXP, KS

SUBJECT: COUNTRY COMMERCIAL PROGRAM FOR KOREA PRELIMINARY FY-1979

REF: STATE 044899

SUMMARY: SUBMITTED BELOW ARE EMBASSY'S INITIAL INPUTS FOR FY-1979 COUNTRY COMMERCIAL PROGRAM FOR KOREA AS REQUESTED IN REFTEL. END SUMMARY.

1. CAMPAIGN ACTIVITIES

CAMPAIGN NUMBER ONE - PRIORITY RANK ONE - METALWORKING AND FINISHING EQUIPMENT - HEAVY ROKG INVESTMENT, REACHING BILLIONS OF DOLLARS, IN DEVELOPMENT OF A SOPHISTICATED NATIONAL MACHINE TOOL INDUSTRY WILL CONTINUE AT LEAST THROUGH THE END OF THE CURRENT FIVE YEAR DEVELOPMENT PLAN IN 1981. KOREAN ACTIVITIES IN THIS SECTOR WILL INCLUDE FURTHER PLANT CONSTRUCTION AT THE CHANGWON HEAVY MACHINERY INDUSTRIAL COMPLEX, AN EXTENSIVE REPLACEMENT PROGRAM FOR OBSOLETE EQUIPMENT, AND TECHNICAL AND FINANCIAL ASSISTANCE TO 500 SMALLER PLANTS TO INSURE RAPID MODERNIZATION. OUR OBJECTIVE IN THIS CAMPAIGN SHOULD BE TO KEEP UP THE EFFORTS OF THE FY-1978 CAMPAIGN TO GAIN FOR U.S. MACHINE TOOL MANUFACTURERS A SIGNIFICANT PART OF THIS IMPORTANT MARKET, IN THE FACE OF STRONG JAPANESE COMPETITION. IN THESE EFFORTS WE WILL BE TAKING ADVANTAGE OF THE R.O.K.G. DESIRE TO

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DIVERSIFY IMPORTS AWAY FROM JAPANESE SUPPLIERS. PROMOTIONAL ACTION, WE BELIEVE, SHOULD INCLUDE A TECHNICAL SEMINAR, ANOTHER COMMERCE-SPONSORED TRADE MISSION AND SPECIAL EFFORTS TOWARD GETTING KEY KOREAN EXECUTIVES IN THIS SECTOR TO VISIT MACHINE TOOL SHOWS IN THE U.S. AS WELL AS UXMS. PLANTS, WHERE THE FULL RANGE OF U.S. MACHINE TOOL EQUIPMENT CAN BE INSPECTED. CAMPAIGN NUMBER TWO - PRIORITY RANK FOUR - CONSTRUCTION AND MATERIALS

HANDLING EQUIPMENT - EXPANSION AND DEVELOPMENT IN THE FIELDS OF WATER RESOURCES, COAL MINING AND PORT AND CARGO HANDLING FACILITIES, SET AS NATIONAL GOALS UNDER THE CURREP FIVECEAR PLAN, WILL CONTINUE TO OFFER U.S. SUPPLIERS A BROAD RANGE OF OPPORTUNITIES INTO THE 1980'S. IN ADDITION KOREAN SUCCESS AND FURTHER EXPANSION INTO THE VAST FIELD OF CONSTRUCTION IN THE OIL-RICH MIDDLE EAST, AND ELSEWHERE IN THE DEVELOPING WORLD, OFFERS GROWING OPPORTUNITIES FOR US EQUIPMENT SUPPLIERS. AT PRESENT MORE THAN 40 KOREAN FIRMS ARE WORKING IN THE OVERSEAS CONSTRUCTION SECTOR AND "EXPORTS" FOR THIS AREA ARE TARGETED AT \$3 BILLION FOR 1977, UP FROM \$1.2 BILLION IN 1976, WITH PROSPECTS FOR FURTHER LARGE INCREASES IN FUTURE YEARS. OUR OBJECTIVE IN THIS CAMPAIGN SHOULD BE TO TAKE ADVANTAGE FOR US SUPPLIERS OF THE INCREASING REQUIREMENTS FOR CONSTRUCTION, EARTH MOVING AND MATERIALS HANDLING EQUIPMENT OF THE KOREAN FIRMS ENGAGED IN THIS IMPORTANT SECTOR. CAMPAIGN NUMBER THREE - PRIORITY RANK SIX- ENERGY SYSTEMS EQUIPMENT, TECHNOLOGY TRANSFER, ENGINEERING AND CONSTRUCTION SERVICES - AS THE ROKG IMPLEMENTS DEVELOPMENT PLANS TO NEARLY DOUBLE POWER GENERATING CAPACITY TO 9,900 MW BY 1981, THROUGH CONSTRUCTION OF 18 ADDITIONAL POWER PLANTS OF ALL TYPES INCLUDING NUCLEAR, OVER \$3 BILLION WILL BE INVESTED IN THIS SECTOR. OUR EFFORTS IN THIS CAMPAIGN, FOLLOWING ON FROM EARLIER EFFORTS, SHOULD BE TO INCREASE THE U.S. SHARE NOT ONLY IN EQUIPMENT SALES BUT IN ALL ASPECTS OF ENERGY DEVELOPMENT. CAMPAIGN ACTIVITIES SHOULD INVOLVE TECHNICAL SEMINARS AND BE CLOSELY LINKED WITH MAJOR PROJECT REPORTING. CAMPAIGN NUMBER FOUR - PRIORITY RANK SEVEN - PROCESS CONTROT EQUIPMENT AND INSTRUMENTATION - THE ROKG PLAN FOR DEVELOPMENT OF THE HEAVY AND CHEMICAL INDUSTRIES, INVOLVING GREAT INCREASES IN OUTPUT

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OF IRON AND STEEL, NON-FERROUS METALS, PETROCHEMICALS, AND A WIDE RANGE OF OTHER PRODUCTS, REQUIRES INCREASINGLY SOPHISTICATED PROCESS CONTROL INSTRUMENTATION. DEMAND WILL INCREASE THROUGH THE FERM OF THE CURRENT 4TH FIVE-YEAR DEVELOPMENT PLAN. CAMPAIGN EFFORTS SHOULD CENTER ON EARLY IDENTIFICATION OF NEW SALES OPPORUNITIES FOLLOWED BY EXPOSURE OF KEY KOREAN EXECUTIVES TO THE ADVANTAGES OF U.S. PRODUCTS BY A COMMERCE-ORGANIZED TECHNICAL SEMINAR AND PLANT VISITS. CAMPAIGN NUMBER FIVE - PRIORITY RANK NINE - COMPUTER AND PERIPHERAL EQUIPMENT - AS THE KOREAN ECONOMY CONTINUES TO GROW RAPIDLY IN SIZE AND SOPHI-STICATION IN THE COMING YEARS, INDUSTRY AND COMMERCE WILL ALSO HAVE GROWING NEED FOR COMPUTERS AND ALLIED EQUIPMENT TO EFFICIENTLY CONTROL PRODUCTION AND SIMPLIFY BUSINESS MANAGEMENT. THE ROKG PLAN TO COMPUTERIZE MANY ASPECTS OF NATIONAL ADMINISTRATION THROUGH THE INSTALLATION OF COMPUTERS THROUGHOUT THE COUNTRY PRESENTS FURTHER OPPORTUNITIES INO THE NEXT DECADE.

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CAMPAIGN GOALS SHOULD BE CENTERED ON MAINTAINING FOR THE UNITED STATES A HIGH PERCENTAGE OF THE GROWING MARKTT FOR COMPUTERS AND PERIPHERALS THROUGH SUCH TRADE CENTER EVENTS AS PRODUCT EXHIBITS AND TECHNICAL SEMINARS. CAMPAIGN NUMBER SIX - PRIORITY RANK TEN - MEDICAL AND LABORATORY EQUIPMENT AND INSTRUMENTATION- AN EXTENSIVE NEW NATIONAL MEDICAL CARE PROGRAM, BEGUN IN 1977, WHICH WILL COVER OVER TEN MILLION PERSONS OR 25 PCT OF THE POPULATION BY 1981, INSURES A GROWING MARKET FOR MEDICAL EQUIPMENT OF MANY TYPES WHICH WILL BE NEEDED BY PUBLIC HEALTH CENTERS AND THE NEW PUBLIC HOSPITALS TO BE BUILT IN THE NEXT FEW YEARS. THE ROKG WILL MAKE AVAILABLE SOME \$4.5 MILLION IN THE NEAR FUTURE FOR PURCHASE OF MEDICAL AND DIAGNOSTIC EQUIPMENT NEEDED BYLTHESE CENTERS, AND FURTHER FUNDING IS EXPECTED IN FUTURE YEARS AS PUBLIC HEALTH CONTINUES TO RECEIVE EMPHASIS UNDER THE CURRENT FIVE YEAR DEVELOPMENT PLAN. THE TRADE CENTER HAS PROVEN PARTICULARLY EFFECTIVE IN PROMOTION OF U.S. PRODUCTS IN THIS SECTOR AND SINGLE AND MULTI-COMPANY PRODUCT EXHIBITIONS SHOULD CONTINUE TO BE SCHEDULED FOR FY-1979. CAMPAIGN NUMBER SEVEN - PRIORITYLRANK ELEVEN - ELECTRONIC INDUSTRY PRODUCTION AND TEST EQUIPMENT AND ELECTRONIC COMPONENTS - CONTINUING HEAVY ROKG INVESTMENT IN THE BROAD DEVELOPMENT OF THE ELECTRONICS INDUSTRY WILL OFFER MANY OPPORTUNITIES FOR U.S. SALES AS WELL AS TECHNICAL LICENSING ARRANGEMENTS AND JOINT VENTURES INTO THE 1980'S. VIGOROUS PROMOTIONAL EFFORTS ARE NEEDED TO COUNTERACT THE JAPANESE PRESENCE IN THIS SECTOR. ALTERNATE CAMPAIGN - UNCLASSIFIED

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POLLUTION CONTROL EQUIPMENT AND INSTRUMENTATION - RAPID INDUSTRIAL GROWTH AND URBAN CONCENTRATION IN KOREA HAS ALREADY CREATED MANY

POLLUTION PROBLEMS TO WHICH THE ROKG IS NEW SBMEWHAT BELATEDLY GIVING ATTENTION. MORE STRINGENT ANTI-POLLUTION LEGISLATION AND ITS ENFORCEMENT COMBINED WITH GREATER ALLOTMENT OF FUNDS UNDER CURRENT DEVELOPMENT PLANNING IS NEW CRATING A NEW MARKET FOR U.S. POLLUTION CONTROL EQUIPMENT WHICH SHOULD BE EXPLOITED THROUGH TECHNICAL SEMINARS AND OTHER SALES EFFORTS.

2. OTHER SPECIAL POST EFFORTS

ACTIVITY NUMBER ONE - PRIORITY RANK TWO - TRADE CENTER
EVENT SUPPORT - THE SEOUL TRADE CENTER, WHERE COST EFFECTIVENESS AND EFFICACY IN TRADE PROMOTION HAS BEEN PROVEN BY THE STATISTICS OVER THE PAST THREE YEARS, REMAINS A FOCAL POINT IN THE SUPPORT OF NEARLY ALL CCP CAMPAIGNS. USE OF THE TRADE CENTER BY U.S. FIRMS AND THEIR AGENTS, AS WELL AS ATTENDANCE AT TRADE CENTER EVENTS, HAS REMAINED HIGH, RATHER THAN DIMINISHING AFTER THE FIRST YEAR OR SO OF THE CENTER'S EXISTENCE AS HAD BEEN ORIGINALLY FEARED. THE TRADE CENTER NEEDS THE CONTINUING SUPPORT OF ALL EMBASSY ELEMENTS. HOWEVER, THE APPARENT SUCCESS OF A RECENT TANNERS' TRADE FAIR SUGGESTS THAT OTHER APPROACHES TO TRADE DEVELOPMENT MIGHT BE ATTEMPTED IN KOREA. EMBASSY WILL BE EXAMINING OPTIONS IN NEXT FEW MONTHS.

ACTIVITY NUMBER TWO - PRIORITY RANK THREE - MAJOR PROJECTS -
A WEALTH OF MAJOR PROJECT OPPORTUNITIES FOR U.S. ENGINEERING FIRMS AND U.S. INDUSTRY IN A VARIETY OF FIELDS ARE CONTINUING TO DEVELOP AS THE KOREAN ECONOMY MAINTAINS ITS RAPID EXPANSION. AS WELL AS MAINTAINING A HIGH LEVEL OF REPRTING ON PUBLIC SECTOR MAJOR PROJECTS, NEW EMPHASIS SHOULD BE PLACED ON REPORTING PRIVATE SECTOR PLANS AND PROJECTS IN THIS CATEGORY.

ACTIVITY NUMBER THREE - PRIORITY RANK FIVE - MARKET RESEARCH -
THE RAPID PACE OF KOREAN DEVELOPMENT REQUIRES A CONTINUING HEAVY RESEARCH PROGRAM, CONVERING BOTH NEW AREAS WHERE OPPORTUNITIES FOR U.S. PRODUCERS ARE DETERMINED TO EXIST AND THE UPDATING OF FORMER RESEARCH TO REFLECT CURRENT CONDITIONS, IN ORDER TO SUPPORT CAMPAIGN EFFORTS IN PART I OF THIS TELEGRAM.
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ACTIVITY NUMBER FOUR - PRIORITY RANK FOURTEEN - FACILITATE
U.S. INVESTMENT - THE ROKG STILL PERCEIVES THE NEED FOR FOREIGN INVESTMENT TO AUGMENT LOCAL RESOURCES IN PARTICULAR AREAS DEFINED UNDER THE FOREIGN CAPITAL INDUCEMENT LAW, AND SUCH INVESTMENT FREQUENTLY COMPLEMENTS OR SUPPORTS U.S. EXPORTS. IN THESE AREAS OPPORTUNITIES ARE OPEN TO U.S. INVESTORS WHO OFTEN REQUIRE EMBASSY BRIEFING, ADVICE AND AT TIMES MORE ACTIVE SUPPORT.
ACTIVITY NUMBER FIVE - PRIORITY RANK TWELVE - TRADE OPPORTUNITY
REPORTING - IN THE EXPANDING KOREAN ECONOMY MANY FIRMS AND INDUSTRIES ARE SEEKING NEW PRODUCT LINES AND NEW PRODUCT SOURCES. THE TOP PROGRAM SHOULD BE GIVEN MORE PUBLICITY, AND ALL OFFICERS AND STAFF SHOULD BE ALERT FOR AND REPORT ON SUCH TRADE OPPORTUNITIES DURING THE COURSE OF THEIR BUSINESS VISTITS SO THAT THE VOLUME OF TRADE OPPORTUNITY REPORTING IS CONSIDERABLY EXPANDED DURING THE

YEAR.

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ACTIVITY NUMBER SIX - PRIORITY RANK THIRTEEN - IMPROVE COMMERCIAL LIBRARY SERVICES IN SEOUL AND PUSAN-UMPROVE QUALITY OF COMMERCIAL LIBRARY SERVICES, INCLUDING PUBLICATIONS, PHYSICAL FACILITIES AND LIBRARIAN SERVICES, AND GIVE GREATER PUBLICITY TO THE AVAILABILITY OF THESE SERVICES.

ACTIVITY NUMBER SEVEN - PRIORITY RANK EIGHT - ENCOURAGE LOWERING OF KOREAN TRADE BARRIERS - THE POSSIBILITY OF LOWERING KOREAN TRADE BARRIERS, AND THEREBY RAISING U.S. EXPORTS, IS GROWING AS KOREAN TRADE AND PAYMENTS BALANCES IMPROVE. OREAN PROTECTIONIST ATTITUDES MUST ALSO CHANGE, HOWEVER, AND HERE THE OPPORTUNITY FOR EFFECTING CHANGE LIES TO SOME EXTENT WITH EMBASSY PERSONNEL WHO HAVE REGULAR CONTACTS WITH KOREAN GOVERNMENT OFFICIALS AND INTERNATIONAL TRADERS.

ACTIVITY NUMBER EIGHT - PRIORITY RANK FIFTEEN - IMPROVE LIAISON WITH KOREAN AND AMERICAN BUSINESS COMMUNITY - CONTINUING EFFORTS SHOULD BE MADE BY ALL STAFF TO ESTABLISH NEW CONTACTS AND MAINTAIN OLD ONES AMONG THE KEY ELEMENTS OF THE BUSINESS COMMUNITY. AS PART OF THIS EFFORT FURTHER ATTENTION SHOULD BE DEVOTED TO THE DEVELOPMENT OF A MORE COMPLETE LISTING OF WORKING LEVEL CONTACTS IN ALL BUSINESS SECTORS IMPRTANT TO U.S. EXPORT INTERESTS. STERN

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